

Message Text

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TO AMEMBASSY KINSHASA

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E.O. 11652: N/A

TAGS: EFIN, ENRG, CG

SUBJECT: TIMING OF POSSIBLE GOLD TRANCHE AND 1974 OIL
FACILITY DRAWINGS

REF: KINSHASA 2421 (PARA 11)

1. GOLD TRANCHE MAY BE DRAWN BY GOZ AT ANY TIME, UPON
REQUEST.

2. OFFICE OF U.S. EXECUTIVE DIRECTOR REPORTS THAT IMF
STAFF FORWARDED REPORT TO IMF MANAGEMENT TWO WEEKS AGO
RECOMMENDING APPROVAL OF ZAIRE'S APPLICATION FOR OIL
FACILITY DRAWING. MANAGEMENT, HOWEVER, CONCLUDED THAT
IN VIEW SEVERITY OF TRADE RESTRICTIONS IMPOSED BY GOZ, AND
ABSENCE OF ASSURANCE THAT THESE ARE TEMPORARY, IT COULD NOT
BRING APPLICATION FORWARD TO EXECUTIVE DIRECTORS AND
RECOMMEND APPROVAL ON BASIS INFORMATION AVAILABLE. IMF IS
NOW SEEKING FURTHER INFORMATION FROM ZAIRE, PRESUMABLY
CONCERNING MEASURES BEING TAKEN BY GOZ IN OTHER AREAS
(E.G., BUDGETARY RESTRAINT) TO ENSURE ELIMINATION OF TRADE
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AND PAYMENTS RESTRICTIONS AND CONCERNING PLANNED DURATION

OF TRADE AND PAYMENTS RESTRICTIONS.

2. FYI. EXCERPTS IN SUBPARAGRAPHS BELOW ARE FROM MARCH 21, 1975 IMF STAFF DOCUMENT ENTITLED, "REVIEW OF PURCHASES UNDER THE 1974 OIL FACILITY", AND PROVIDE BACKGROUND ON APPLICATION OF REQUIREMENT FOR 1974 FACILITY DRAWINGS THAT POLICIES OF DRAWING COUNTRY NOT BE INCONSISTENT WITH THE UNDERSTANDINGS SET FORTH IN PARAGRAPH TWO OF JANUARY 1974 ROME COMMUNIQUE OF COMMITTEE OF TWENTY. (COMMUNIQUE STATED, INTER ALIA: QTE...COMMITTEE AGREED THAT IN MANAGING THEIR INTERNATIONAL PAYMENTS COUNTRIES MUST NOT ADOPT POLICIES WHICH WOULD MERELY AGGRAVATE THE PROBLEMS OF OTHER COUNTRIES. ACCORDINGLY, THEY STRESSED THE IMPORTANCE OF AVOIDING COMPETITIVE DEPRECIATION AND THE ESCALATION OF RESTRICTIONS ON TRADE AND PAYMENTS. THEY FURTHER RESOLVED TO PURSUE POLICIES THAT WOULD SUSTAIN APPROPRIATE LEVELS OF ECONOMIC ACTIVITY AND EMPLOYMENT, WHILE MINIMISING INFLATION. UNQTE).

A. QTE RESORT TO RESTRICTIONS BY OIL IMPORTING COUNTRIES TO COPE WITH THEIR BALANCE OF PAYMENTS PROBLEMS IN 1974 WAS MODERATE...IN SOME CASES RESORT TO RESTRICTIONS WAS MADE IN PART TO GAIN TIME FOR OTHER MEASURES TO TAKE HOLD OR TO BE INTRODUCED. THE STAFF, FOLLOWING COMMUNICATIONS WITH THE MEMBER IN SUCH INSTANCES, BROUGHT TO THE ATTENTION OF THE EXECUTIVE DIRECTORS THESE MEASURES IN THE PAPER ACCOMPANYING THE MEMBER'S REQUEST TO USE THE OIL FACILITY. UNQTE

B. QTE NINETEEN MEMBERS THAT USED THE OIL FACILITY IN 1974 INTRODUCED OR INTENSIFIED CERTAIN RESTRICTIONS ON PAYMENTS FOR CURRENT TRANSACTIONS OR IMPORTS. IN MOST CASES, THE RESTRICTIVE MEASURES WERE JUDGED TO BE TEMPORARY AND MINOR IN SCOPE OR TO REPRESENT NO NET INTENSIFICATION OF RESTRICTIONS IN CASES WHERE VARIOUS OFFSETTING MEASURES WERE TAKEN. IN A FEW OTHER CASES WHERE MORE SUBSTANTIAL INTENSIFICATION OF RESTRICTIONS TOOK PLACE, THE AUTHORITIES ADOPTED, AT THE SAME TIME OR SHORTLY THEREAFTER, MEASURES IN OTHER POLICY FIELDS TO ENSURE THE ELIMINATION OF THE RESTRICTIONS BY A SPECIFIED LIMITED OFFICIAL USE

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DATE. UNQTE

C. QTE IN SOME CASES WHERE A MEMBER HAD RESORTED TO RESTRICTIONS IT CONSULTED INFORMALLY WHETHER IT SHOULD MAKE A REQUEST. IN A FEW INSTANCES WHERE RESTRICTIONS HAD BEEN INTENSIFIED IN CONDITIONS WHERE ALTERNATIVE MEASURES WOULD HAVE BEEN PREFERABLE, POSSIBLE REQUESTS FOR PURCHASE WERE DISCOURAGED. IN BANGLADESH, A

MAJOR INTENSIFICATION OF RESTRICTIONS TOOK PLACE IN 1974
AND NO FIRM INDICATION WAS GIVEN TO THE FUND AS TO WHEN
THESE WOULD BE REPLACED OR REDUCED BY OTHER BALANCE OF
PAYMENTS MEASURES TO ADJUST. THE EXECUTIVE DIRECTORS
IN AGREEING TO THE USE OF THE FACILITY TOOK INTO ACCOUNT
THAT THE AUTHORITIES WERE WORKING WITH THE STAFF ON

FUNDAMENTAL MEASURES TO IMPROVE THE BALANCE OF PAYMENTS
AND THAT, IN VIEW OF THE CRITICAL FOREIGN EXCHANGE
POSITION, MEASURES TO LIMIT THE USE OF FOREIGN EXCHANGE
WERE UNAVOIDABLE. UNQUOTE KISSINGER

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